

D.P.U. 96-82

Petition of International Paper Company for an Order directing Western Massachusetts Electric Company to offer to provide retail electric distribution service.

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FOR: INTERNATIONAL PAPER COMPANY
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FOR: WESTERN MASSACHUSETTS ELECTRIC
COMPANY
Respondent

ORDER OF DISMISSALI. INTRODUCTION

On August 26, 1996, International Paper Company ("IP") filed a petition requesting the Department of Public Utilities ("Department") to issue an order directing Western Massachusetts Electric Company ("WMECo") to wheel electric power, previously provided to an IP facility in Turners Falls, to another IP facility located in Millers Falls, which is also within WMECO's service territory (Petition at 2-3). On September 9, 1996, WMECO filed a response to IP's petition requesting that the Department dismiss the petition because the questions raised by IP will be addressed in the Department's pending electric restructuring proceeding (WMECo Response at 1).

Specifically, IP seeks an order directing WMECo to wheel the sum of IP's entitlement to output from WMECo's Turners Falls hydroelectric generating facilities¹ plus the actual output of IP's Turners Falls hydroelectric facility² to IP's Millers Falls facility (id. at 3). IP contends that it seeks essentially the same arrangement previously agreed to and implemented by WMECo in

¹ In its petition, IP explained that IP (or its predecessor companies) has had the right to draw and use water from a canal at Turners Falls to produce power for the production of paper. In 1951, an agreement was reached with WMECo granting WMECo the right to use the water at WMECo's hydroelectric facility which is downstream from IP's Turners Falls hydroelectric facility. Under the agreement, IP would forego generating power at its own facility whenever the total stream flow was insufficient to operate both IP's and WMECo's hydroelectric facilities. In exchange for that concession, IP received no-cost power from WMECo for use at the Turners Falls Paper Mill. However, IP's Turners Falls facility was unable to operate economically and was shut down (Petition at 2).

² IP states that, at times when the water flow exceeds the hydraulic capacity of WMECo's generating facilities at Turners Falls, IP's hydroelectric facility could be activated and the power produced by that facility could be transmitted by WMECo to IP's electric loads at Millers Falls (Petition at 3).

regard to IP's Turners Falls plant, but with a delivery point at IP's Millers Falls facility (id. at n.4).

IP contends that it has been negotiating with WMECo to establish such an arrangement since November of 1994 (id. at 4). Although WMECo stated that it would "consider seriously" the idea of entering into a special contract with IP, IP and WMECo have been unable to reach an agreement regarding the size of IP's discount from WMECo's full retail rates under the arrangement (id.; WMECo Response at 2).

The petitioner stated that WMECo's provision of this service would allow IP to minimize operating costs to remain competitive and, "thus help anchor them to the Commonwealth" (id. at 1, 4). The petitioner also stated that such wheeling would serve the public interest "by encouraging competition in the generation segment of Massachusetts' electric service industry" and by "proscribing anti-competitive behavior on the part of WMECo in the retail distribution segment of the industry" (id. at 1).

II. DISCUSSION

The issues raised by IP are core elements of the Department's ongoing efforts to effect a comprehensive restructuring of the electric service industry in Massachusetts. See Electric Industry Restructuring Notice of Inquiry/Rulemaking, D.P.U. 96-100 (1996). The Department is currently engaged in active deliberation of its restructuring proposal and accompanying regulations, and the issues raised by the petitioners will be addressed in that docket. Specifically, the relief requested by the petitioners would require resolution of several key issues including, federal-state jurisdictional boundaries, stranded cost recovery, and other important public policy issues. Resolution of these issues for a single customer, in advance of an industry-wide restructuring order, would be impractical and imprudent. Therefore, the Department has

determined that it is not appropriate to take up this petition at this point in time.

The Department notes that, based on the pleadings filed by IP and WMECo, it appears possible that the matter could be resolved pending a decision by the Department in the electric restructuring proceeding. Therefore, the Department strongly encourages IP and WMECo to resolve the issue on an interim basis.

III. ORDER

Accordingly, after due consideration, it is hereby

ORDERED: That the Petition of International Paper Company requesting that the Department of Public Utilities issue an order directing Western Massachusetts Electric Company to wheel electric power, previously provided to an IP facility in Turners Falls, to another IP facility located in Millers Falls, is dismissed.

By Order of the Department,

John B. Howe, Chairman

Janet Gail Besser, Commissioner